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AN EMPIRICAL EXAMINATION OF GOLD INVESTMENT PREFERENCES AND THE EFFICACY OF SOVEREIGN GOLD BONDS FOR THE MIDDLE CLASS

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ABSTRACT

Former Federal Reserve Chairman Alan Greenspan aptly stated that in the absence of the gold standard, there exists no mechanism to shield savings from erosion by inflation, thereby eliminating a secure store of value. This study elucidates the motivations and rationales underpinning the selection of gold as an investment asset, assess awareness and familiarity with Sovereign Gold Bonds (SGBs), compare the effectiveness of SGBs, and provide policy recommendations to enhance their adoption and efficacy. This research combines both descriptive and empirical methodologies, employing a well-structured questionnaire to survey 100 participants from a middle-class demographic. Findings indicate that a significant majority (80%) of respondents aged 50 and above are familiar with Sovereign Gold Bonds (SGBs), whereas in the 18-30 age group, a notable 53.1% lack awareness of SGBs. Moreover, a substantial portion of both female (56.3%) and male (47.5%) respondents exhibit limited awareness of SGBs. These outcomes accentuate the necessity for reforms in SGBs, a targeted financial instrument introduced by the Indian government to promote domestic gold investments and address challenges associated with high physical gold imports. The research proposes several strategic initiatives to enhance the adoption and accessibility of SGBs.

KEYWORDS: Sovereign Gold Bonds (SGBs), Gold Investment Preferences, Economic Stability, Inflation

1. INTRODUCTION

Gold, highly esteemed even in prehistoric eras and symbolized by Au, derives its name from the Latin word "aurum," associated with Aurora, the Goddess of Dawn[1]. Gold's journey traces back to ancient civilizations where Egyptians regarded it as the skin of their Gods. Beyond its sacred significance, gold was used for decoration, and both Egyptian and Chinese cultures believed in its healing properties. From the sacred tombs of Egyptian pharaohs to modern space telescopes, gold has consistently played a significant role throughout human history[2]. As time evolves, so do people's need. Once a symbol of status proudly displayed, gold is now kept behind closed doors as a means of securing one's future.

In Indian culture, gold holds significance beyond status, symbolizing love, tradition, and ancestral heritage as it is passed down through generations. However, for middle-class families, this tradition has become challenging. According to Forbes India, gold prices have surged from 4,400 INR in 2000 to 73,390 INR by May 17, 2024, reflecting an approximate increase of 1,568%[3]. This significant rise in gold prices makes it increasingly difficult for middle-class families to maintain this tradition. Consequently, families are now viewing gold more as an investment rather than a heritage to pass down.

Gold as an Investment

The Gem & Jewellery Export Promotion Council (GJEPC) concluded the 4th edition of the India Gold & Jewellery Summit (IGJS) at Bharat Mandapam in New Delhi on January 23-24, 2024. The event, themed "Raise Gold's Role in Economic Growth," was marked by significant discussions on the gold industry's impact on the economy. In his address, Vipul Shah, Chairman of GJEPC, highlighted the pivotal role the gold industry plays in shaping the economic landscape. Santosh Kumar Sarangi, Director General of Foreign Trade (DGFT) from the Union Ministry of Commerce & Industry, emphasized that India, as one of the largest gold purchasers globally, has substantial buying power that can influence gold prices and availability. He noted the fragmented nature of gold demand in India, which ranges from small to large jewellers and from kilograms to tons, there is an urgent need to streamline gold exports. The summit focused on the gold industry's potential to drive economic growth and the importance of creating a more cohesive and efficient export strategy to capitalize on India's substantial gold demand[4].

The World Gold Council has released a 2024 report entitled "Gold as a Strategic Asset," accentuating the importance of gold as a pivotal investment. Gold plays a pivotal role as a strategic long-term investment and a core component of a well-diversified portfolio. It is a highly liquid asset that is not subject to liabilities, carries no credit risk, and is inherently scarce, thereby historically preserving its value over time. Remarkably, gold has generated positive long-term returns in both favourable and adverse economic conditions. Its varied demand sources endow gold with exceptional resilience and the potential to yield solid returns across different market environments. Traditionally viewed as a hedge against inflation, empirical data supports this view: since 1971, gold has surpassed both the US and global consumer price indices (CPI). Furthermore, gold provides robust protection against high inflation; during periods of 2%-5% inflation, gold's price has increased by an average of

8% per year[5]. Gold holds universal recognition and demand, making it exchangeable for global currencies, commodities, or services with ease and liquidity. Its rarity and enduring nature have historically positioned it as a predominant store of value or currency for centuries, despite short-term price fluctuations[6].

In a developing nation like India, where the majority of the population is middle class, individuals contend with multiple responsibilities, from paying taxes to maintaining a healthy lifestyle. These responsibilities cannot be met solely through salary; thus, people invest to generate profit and sustain their standard of living. Investments have garnered immense importance in contemporary times. However, when it comes to investing in gold, people often favour purchasing physical gold. This practice has several disadvantages, prompting the search for alternative forms of gold investments. Yet, in the current market characterised by rapid growth and volatility, investors are increasingly perplexed about the optimal avenues for gold investment.

- ***Gold ETFs (Exchanged Traded Funds):*** ETFs function akin to the stock market, allowing investors to purchase gold in a dematerialized format. Instead of acquiring physical gold, investors can gain proportional ownership in a pooled vault. Each unit of a gold ETF corresponds directly to one gram of gold.
- ***Gold Mutual Funds:*** These are similar to mutual funds, but instead of investing in stocks or bonds, they focus on various assets related to gold. These funds allocate investments towards bullion and companies engaged in gold mining.
- ***Gold Schemes:*** Individuals have the opportunity to invest a set monthly amount in gold through schemes offered by jewellers and banks. These schemes often include additional benefits such as discounts or bonuses, enhancing the overall value of the investment.
- ***Sovereign Gold Bonds:*** SGBs are bonds issued by the government, representing securities traded in the form of gold. Investors can purchase these bonds in digital, physical, or dematerialized forms, providing them with flexible options for investment.

This study aims to identify the most suitable investment method for elderly middle-class individuals seeking security rather than short-term profit. In this pursuit, our focus centres on whether Sovereign Gold Bonds (SGBs) are appropriate for our research.

Sovereign Gold Bonds

Sovereign Gold Bonds represent a government initiative, undertaken in collaboration with the Reserve Bank of India, to invest in government securities measured in grams of gold. These bonds serve as alternatives to owning physical gold. According to RBI guidelines, individuals classified as residents under the Foreign Exchange Management Act, 1999 are permitted to invest in Sovereign Gold Bonds (SGB). Eligible investors encompass individuals, Hindu Undivided Families (HUFs), trusts, universities, and charitable institutions. Individual investors who subsequently change their residential status from resident to non-resident can retain their SGB holdings until early redemption or maturity[7].

In exercise of the powers conferred by clause (iii) of section 3 of the Government Securities Act, 2006 (38 of 2006), the Central Government has promulgated the Sovereign Gold Bond Scheme. Section 3[8] of this scheme delineates the eligibility criteria for investments, encompassing Trusts, Hindu Undivided Families (HUFs), Charitable Institutions, Universities, and individuals resident in India. Such individuals may invest in their personal capacity, on behalf of a minor child, or jointly with another individual. The inclusiveness of these terms is elaborated under the proviso of section 3. Section 5[9] of the scheme prescribes the procedure for making applications for subscription to Gold Bonds. Interested investors must submit an application as specified in Form 'A' of the scheme. Upon meeting all application requirements, the receiving office will issue an acknowledgment receipt in Form 'B.' Any incomplete application is subject to rejection. Gold Bonds shall be issued in the form of a Stock Certificate, as per Form 'C,' and these certificates are eligible for conversion into Demat form. Section 11[10] outlines the accepted payment options, which are to be made in Indian Rupees. Payments may be made through cash (up to a maximum of Rs. 20,000), demand draft, cheque, or electronic banking. According to section 14[11], the Gold Bonds issued under this scheme may be utilized as collateral security for availing loans. Such loans can be facilitated by appropriately marking a lien on the SGB. The aforementioned scheme pertains to the 2019-20 issuance. Annually, the Government of India, in consultation with the Reserve Bank of India, decides to issue Sovereign Gold Bonds (SGBs) in tranches according to a predetermined calendar. However, the fundamental features of the scheme remain largely consistent across these issuances.

Foundational Legislative Framework of Sovereign Gold Bonds (SGBs):

1. ***Tenure:*** Sovereign Gold Bonds (SGBs) in India usually have a maturity period of 8 years. However, investors have the flexibility to exit the investment starting from the 5th year on interest payment dates, provided they meet specific conditions and adhere to applicable exit regulations.
2. ***Redemption:*** Redemption in Sovereign Gold Bonds (SGBs) refers to the process by which investors can convert their SGB holdings back into cash upon maturity or during specific redemption windows announced by the issuing authority, which is typically the government. When an investor redeems their SGBs, they receive the equivalent value of gold based on the prevailing market price at the time of redemption. This process allows investors to realize the value of their gold investment in monetary terms, facilitating liquidity and flexibility in managing their investments.
3. ***Requirements:*** Investors can apply for SGBs through designated banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices, or through online platforms specified by the issuing authority. Know Your Customer (KYC) norms are mandatory for investing in SGBs. Investors need to submit identity proof, address proof, and other documents as per the KYC guidelines mandated by the issuing authority. Issuing banks, SHCIL offices, designated Post Offices, and agents will provide the Application Form. Additionally, it can be downloaded

from the RBI's website, and banks may offer an online application option as well. Each application must include the applicant's PAN (Permanent Account Number) as a mandatory requirement.

4. ***Minimum investment:*** The minimum and maximum investment limits per fiscal year are set by the government and may vary. For instance, the minimum investment amount per bond is typically equivalent to one gram of gold, and the maximum limit is generally 4 kilograms per individual per fiscal year.

For more details click here or visit: [https://www.rbi.org.in/commonperson/english/scripts/FAQs.aspx?Id=1658]

To grasp the essence of Sovereign Gold Bonds (SGBs), it is essential to compare them with various other types of gold investments.

- ***Safest:*** From an investor's perspective, it is prudent to invest in SGBs, as they are considered the safest gold investment option, being directly issued by the Reserve Bank of India, unlike other forms of gold investments.
- ***Fixed income:*** SGBs provide a guaranteed annual interest rate of 2.5%, paid semi-annually. In contrast, ETFs do not offer fixed interest or dividends; their returns depend solely on gold price fluctuations. Similarly, Gold Funds lack fixed interest, with returns contingent on the performance of gold and related assets.
- ***Liquidity:*** Gold ETFs offer high liquidity, as they can be traded on stock exchanges similarly to shares. Conversely, gold funds provide moderate liquidity. However, SGBs present relatively lower liquidity, given their fixed tenure and the restrictive conditions under which they can be redeemed early.
- ***Tax Free Redemption:*** Under SGBs, capital gains tax on redemption is exempt if the bonds are held until maturity. However, if sold prior to maturity, long-term capital gains (LTCG) tax applies after three years, with the benefit of indexation. In contrast, Gold ETFs and Gold Funds are subject to standard capital gains tax regulations, with indexation benefits available for long-term holdings.
- ***Form:*** SGBs can be obtained in digital, physical, and dematerialized formats. In contrast, ETFs are exclusively traded in dematerialized form on stock exchanges, and Gold Funds are held in units akin to mutual funds, not directly traded on stock exchanges[12].

Categories under which taxes are filed for Sovereign Gold Bonds:

- ***Income from Sovereign Gold Bonds under Income from Other Sources (IFOS):*** The Reserve Bank of India (RBI), on behalf of the Government, disburses periodic interest on Sovereign Gold Bonds (SGBs). The interest rate is set at 2.5% per annum based on the initial investment amount. This interest is credited on a semi-annual basis, with the final interest payment disbursed to the investor on the maturity date along with the principal amount. Interest earned on SGBs is taxable under the head "Income from Other Sources" (IFOS). Taxpayers are required to report this interest in Schedule OS of their Income Tax Return. Furthermore, pursuant to Section 193 concerning Tax Deduction at Source (TDS) on Interest on Securities, there is a specific exemption for tax deductions on interest payments on government securities. Consequently, TDS is not applicable to interest payments on Sovereign Gold Bonds (SGBs).
- ***Capital Gains on Sale of SGB:*** Under Section 2(47) of the Income Tax Act, the term "transfer of a capital asset" encompasses both the sale and redemption. Therefore, whenever an investor sells or redeems their Sovereign Gold Bonds (SGB), capital gains tax becomes applicable. Redemption refers to the maturity date or premature redemption, while sale denotes the transaction on a recognized stock exchange. It is important to note that the definition of transfer excludes the redemption of SGB from its scope. Therefore, the capital gains arising from the redemption of a Sovereign Gold Bond by an individual investor are tax-exempt. However, if the SGB is sold before its maturity period, any gains will be taxable as Long-Term Capital Gains (LTCG).[13]

Tax immunity available under the Income Tax Act:

- ***Capital Gain Exemption at Maturity:*** Upon maturity, the profits from redeeming Sovereign Gold Bonds (SGBs) are fully exempt from income tax. This entails that the gains derived from the increase in the value of SGBs during the investment tenure are not subject to any tax obligation, offering investors a substantial tax benefit.
- ***Indexation Benefits for Long-Term Capital Gains:*** If investors redeem Sovereign Gold Bonds (SGBs) before maturity, they may incur long-term capital gains, which are taxable. However, investors have the option to utilize indexation benefits. Indexation refers to adjusting the purchase price of the bonds to account for inflation over the holding period. This adjustment aims to reflect the decrease in purchasing power of money over time due to inflation. By applying indexation, investors can increase the purchase price of the SGBs in line with inflation rates calculated by the government. This adjustment effectively reduces the taxable capital gains realized upon redemption. As a result, investors can lower their overall tax liability, allowing them to retain a larger portion of their investment gains.
- ***No Tax Deducted at Source (TDS) or Goods and Services Tax (GST) Applicability:*** When investors purchase or redeem Sovereign Gold Bonds (SGBs), there is no obligation for Tax Deducted at Source (TDS) deduction. Furthermore, transactions involving SGBs are exempt from Goods and Services Tax (GST), ensuring that SGBs remain a tax-efficient investment choice.[14]

Significance of Sovereign Gold Bonds in National Forex Reserves:

On May 20, 2024, Forbes India published an article emphasizing the stability and growth of India's foreign exchange reserves. As reported by the Reserve Bank of India, as of May 3, 2024, India's foreign exchange reserves amounted to \$641.59 billion. The constituents of India's forex reserves are integral to the nation's financial stability and economic progression. These

reserves are meticulously managed to maintain a diversified portfolio that can adapt to various economic conditions. The principal components of India's forex reserves include foreign currencies, gold reserves, special drawing rights (SDRs), and the reserve tranche position in the International Monetary Fund (IMF). Gold reserves constitute a critical element of India's forex reserves. Gold serves as a hedge against inflation and acts as a financial safeguard during periods of economic instability. The inclusion of gold within the reserves provides an additional layer of security and value, accentuating the traditional significance of gold within the Indian economy[15]. Sovereign Gold Bonds (SGBs) are of paramount significance at the national level, especially in relation to foreign exchange (forex) reserves and macroeconomic stability. India ranks among the foremost importers of gold globally. Sovereign Gold Bonds (SGBs) offer a mechanism for individuals to invest in gold without necessitating the importation of physical gold. This mechanism mitigates the outflow of foreign exchange, which would otherwise be expended on the acquisition of imported gold. This facilitates the preservation of foreign exchange reserves, which are essential for ensuring external stability and fulfilling international obligations. Investments in Sovereign Gold Bonds (SGBs) are structured with a fixed tenure and provide interest income, thereby promoting long-term investment among investors. This contributes to overall economic stability, including effective forex management. In sum, SGBs play a pivotal role in managing foreign exchange reserves, fostering financial inclusion, and bolstering macroeconomic stability by diminishing reliance on physical gold imports.

Statement of problem

Middle-class investors often prioritize tangible assets like gold for their savings, which brings about extra expenses for storage and security, adding financial pressure to families. Liquidating physical gold in times of need can also prove challenging. To confront these challenges, efforts should focus on educating middle-class investors about the advantages of diversifying their investments, advocating for transparent and easily accessible options such as Sovereign Gold Bonds (SGBs), and bolstering financial literacy to enable informed decisions that align with their long-term financial objectives. Considering the challenges, the following objectives have been formulated:

- To identify the motivation and rationale behind choosing Gold as an investment asset.
- To asses awareness and familiarity with SGBs.
- To compare the effectiveness of SGBs.
- To Provide recommendations for policy enhancement to increase the adoption and effectiveness of SGBs.

2. REVIEW OF LITERATURE

The following research articles were reviewed with a focus on our four formulated objectives.

To identify the motivation and rationale behind choosing Gold as an investment asset:

Dr. Rashmi Paranjpye et al. (2020)[16], discovered that among 105 surveyed respondents, 38% engage in gold investments. The study indicates that 36% of respondents invest for the sake of returns, while 21% prioritize safety and liquidity. Additionally, 13% of respondents avoid investing in risky funds. A significant 72% of respondents perceive gold as a risk-free investment.

Priti Aggarwal (2014)[17], highlighted that the primary motivation for people investing in gold is its role as a hedge against inflation.

To asses awareness and familiarity with SGBs:

Dr. P. Menakadevi et al. (2021)[18], revealed in their study that most investors are unaware of various investment schemes. Consequently, they tend to prefer investing in gold jewellery, as well as in Gold ETFs and Sovereign Gold Bonds, which are perceived to offer higher profitability.

Anu Anna Ninan (2018)[19], found that a significant majority, 75.3%, of respondents exhibit limited awareness regarding the Sovereign Gold Bond Scheme. Despite this, Ninan concluded that SGBs are favoured as an investment option in gold. However, individuals in Kerala still show a preference for purchasing physical forms of gold like jewellery, bars, and coins.

B. Sundaravadhani and P. Sathya (2016)[20], found through their research that many investors continue to favour traditional forms of investment such as jewellery, gold coins, and gold bullion bars. Additionally, there is a preference among investors for ETFs and Futures and Options due to their perceived higher profitability and ease of investment.

Dr. M Nishad Nawaz and Mr. Sudindra V R (2013)[21], discovered that a mere 2% of investors are knowledgeable about gold certificates and futures and options, while gold mutual funds, e-gold, and ETFs are marginally preferred forms of investment. Despite these options, many investors still favour traditional forms such as jewellery, gold coins, and gold bullion bars. There is a preference among some investors for ETFs and Futures and Options due to their potential for higher profitability and ease of investment.

To compare the effectiveness of SGBs:

Sudindra V R and Dr. J Gajendra Naidu (2019)[22], concluded that Sovereign Gold Bonds (SGBs) outperform other forms of gold investment. SGBs offer advantages such as discounted purchase prices (with a reduction of INR 50 for online payments), higher returns over the holding period, guaranteed purity and safety backed by the Government of India, easy exit options through exchange trading, capital gain indexation benefits, no TDS deduction, and the ability to use them as security for loans. Despite their superiority, it is recommended to invest in SGBs in smaller portions.

Dr. Hem Shweta Rathore (2017)[23], discovered that respondents from nuclear families with a strong educational background show a higher inclination towards Sovereign Gold Bonds (SGBs), primarily due to the transparency in pricing and associated tax benefits. The study also found that investors perceive SGBs as an efficient and low-risk investment option,

although awareness about SGBs among investors remains moderate. Additionally, most investors seek professional advice before making gold investments.

Prof. CA. Rashmi Chaudhary and Dr. Priti Bakhshi (2016)[24], suggest that in India, there is a greater likelihood of acceptance of Gold Sovereign Bonds compared to Gold Monetisation Schemes, influenced significantly by social factors associated with the bonds.

Dr. M. Jayanthi et al. (2014)[25], found that most respondents prefer physical gold for its functional and traditional purposes, accounting for 100% of preferences. However, paper gold, such as Gold ETFs and Sovereign Gold Bonds, offers several advantages over physical gold, including liquidity, transparent pricing, affordability, convenience, and safety. Paper gold also alleviates concerns about the purity of gold and provides potential tax benefits to investors. Despite these advantages, the study highlighted that people still prioritize physical gold for its traditional and prestigious value.

To Provide recommendations for policy enhancement to increase the adoption and effectiveness of SGBs:
Anu Anna Ninan (2018) recommended enhancing the scheme's popularity through heightened public awareness and effective marketing strategies, such as offering noticeable tax benefits to attract investors.

3. METHOD AND MATERIAL

This study, titled "An Empirical Examination of Gold Investment Preferences and the Efficacy of Sovereign Gold Bonds for the Middle Class," relied on a combination of primary and secondary sources for comprehensive and reliable insights. Secondary sources included scholarly journal articles, government reports, legislative documents, press releases from the Indian Government, and newspaper articles. These sources were essential for conducting a detailed analysis. Primary research involved a survey titled "Analysis of Gold Investment," conducted among a middle-class demographic with 100 participants. The survey utilized a concise questionnaire comprising seven questions to facilitate prompt responses from participants. This approach aimed to streamline data collection and ensure efficient participation. The survey incorporated both independent and dependent variables to explore various aspects of gold investment preferences among respondents.

- Independent variable: Gender and Age
- Dependent Variable: Awareness level, Perceptions and Behaviour

The survey data is presented through tables, bar graphs, clustered bar graphs, and line graphs to visually represent the findings. Analysis of the data utilizes statistical tools such as frequency distributions and percentages to gain deeper insights into the responses and trends observed.

4. RESULT AND DISCUSSION

In this section, we present the findings from our survey, "Analysis of Gold Investment," conducted as part of the research titled "An Empirical Examination of Gold Investment Preferences and the Efficacy of Sovereign Gold Bonds for the Middle Class."

Part A: Demographic result

Independent Factors		Frequency	Percentage
Gender	Male	61	61%
	Female	39	39%
Total		100	
Age	below 18	7	7%
	18 to 30	81	81%
	30 to 50	7	7%
	50 and above	5	5%
Total		100	

Table 1: Distribution of Independent variables in frequency and percentage

In Table 1, the two independent variables selected for this research are presented. The majority of survey respondents were male, comprising 61%, while females made up only 39%, less than half the male participation. This disparity may be due to the fact that females typically show less interest in subjects related to stocks and investments. Furthermore, the primary age group participating in this survey was 18 to 30 years old, accounting for 81% of respondents. Conversely, the age group 50 and above had the least participation. These results reflect the active involvement of India's major demographic-youth and the working class—who are increasingly interested in investments. Generally, individuals aged 50 and above tend to avoid the stock market, preferring less risky options with higher returns.

Part B: Results of Dependent Variables assessed through survey questions

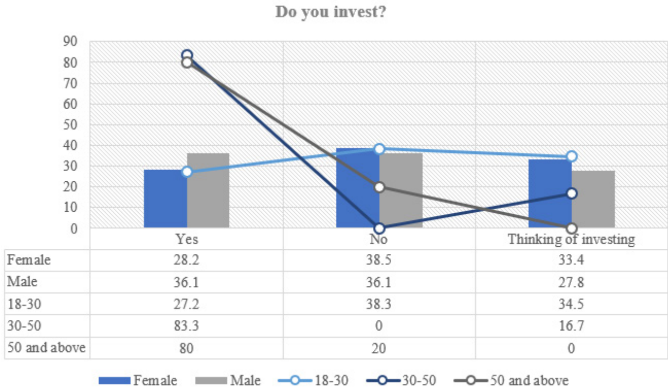
Dependent Factors		Frequency	Percentage
Do you invest	Yes	33	33%
	No	37	37%
	Thinking of investing	30	30%
		100	
Motive behind investment	Earn profit	52	54.7%
	Safe and security	32	33.6%
	Retirement planning	5	5.3%
	Minimise income tax burden	6	6.4%
		95	
Is it worth investing in Gold	Yes	69	70.4%
	No	29	29.6%
		98	

Which method will you prefer to invest in Gold	Physical Gold	35	36.1%
	Gold ETFs	14	14.4%
	Gold Funds	9	9.3%
	Digital Gold	28	28.9%
	SGBs	11	11.3%
		97	
Are you familiar with the concept of "SGBs"	Yes	31	31%
	No	51	51%
	May be	18	18%
		100	

Table 2: Distribution of Dependent variables in frequency and percentage

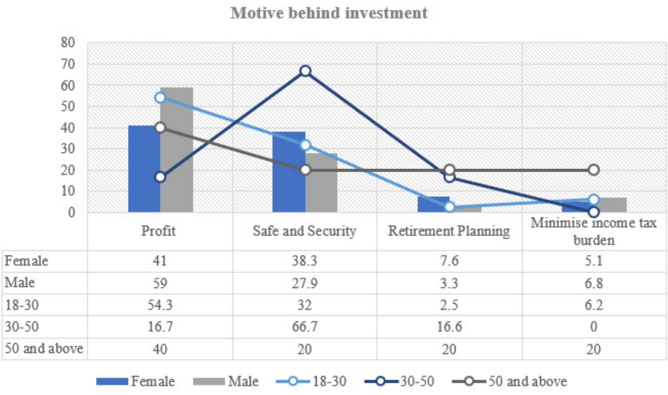
- In Table 2, the largest group of respondents (37%) indicated that they do not currently invest. This may be due to a lack of knowledge or confidence in investment opportunities, or a preference for more traditional savings methods.
- Conversely, 33% of respondents do invest, while 30% are contemplating investing in the future. This suggests a rising interest and potential shift towards investment activities. This trend is likely driven by increased financial literacy, economic aspirations, and a desire for better financial security among the middle class.
- The data shows that the primary investment motive for 54.7% of respondents is to earn profit, indicating a strong focus on financial growth and wealth accumulation.
- The next most common motive, cited by 33.6%, is the pursuit of safety and security, emphasizing the importance of asset stability and preservation for a significant portion of the population.
- A smaller group (6.4%) invests to minimize income tax burden, reflecting an understanding of the tax advantages linked to certain investments.
- Lastly, 5.3% invest for retirement planning, showing that a minority is concerned with long-term financial security. These results highlight that while immediate financial gains are the main driver for investments, considerations for safety, tax benefits, and retirement planning also significantly influence investment decisions.
- The data reveals that a majority of respondents (70.4%) view gold as a worthwhile investment. This preference is likely due to gold's historical reputation as a safe-haven asset, particularly during economic uncertainty. Gold is seen as a reliable store of value that can protect against inflation and currency fluctuations, making it attractive for wealth preservation.
- Conversely, 29.6% of respondents do not consider gold a valuable investment. This group may prefer other options that offer higher returns or greater liquidity. They might also be sceptical about gold's performance relative to other assets or have a lower risk tolerance.
- The survey data reveals that physical gold is the top choice for investing in gold among respondents, favoured by 36.1%. This preference likely stems from the tangible nature of physical gold and its deep cultural and historical significance.
- Digital gold emerges as the second most popular option, with 28.9% of respondents preferring it. The appeal lies in its convenience, accessibility, and lower storage costs compared to physical gold.
- Gold ETFs are chosen by 14.4% of respondents, offering a blend of liquidity and ease of trading, appealing to investors seeking straightforward investment options without the need for physical storage.
- Gold funds attract 9.3% of respondents, providing professional management of gold investments, although they are less favoured compared to other methods.
- Sovereign Gold Bonds (SGBs) are selected by 11.3% of respondents. Despite their advantages such as interest payments and tax benefits on redemption, their lower popularity may be attributed to a lack of awareness or understanding of their benefits compared to more straightforward investment methods. Overall, while traditional and digital forms of gold investment are preferred, there is potential for growth in the adoption of SGBs, given their financial benefits and security features.
- The data reveals that a significant majority of respondents (51%) are not familiar with Sovereign Gold Bonds (SGBs). This lack of awareness may stem from limited promotional efforts or educational campaigns about SGBs among the general population.
- Conversely, 31% of respondents are familiar with SGBs. This group likely includes individuals who are more informed about investment options or have actively sought information on diverse financial instruments.
- Another 18% of respondents indicate uncertainty about their familiarity with SGBs, suggesting a potential interest in learning more about this investment avenue.

Part C: Analysis of Data: Percentage Distribution of each question by Age groups and Gender



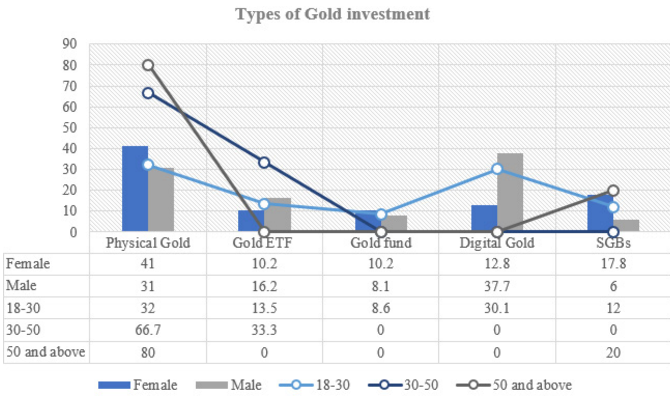
- The data reveals significant differences in investment behaviour across gender and age groups. A notable 38.5% of female respondents do not currently invest, potentially due to risk aversion, lower financial literacy, or lesser disposable income. However, 33.4% are considering investing, indicating growing interest and potential future engagement.
- Among the 18-30 age group, the findings suggest that younger individuals are exploring various financial options and are still in the decision-making phase regarding investments.

- A substantial 83.3% of respondents in the 30-50 age group are already investing, showing a strong inclination towards financial growth and stability during their peak earning years.
- In the 50 and above age group, 80% are investing, likely focusing on wealth preservation and retirement planning.



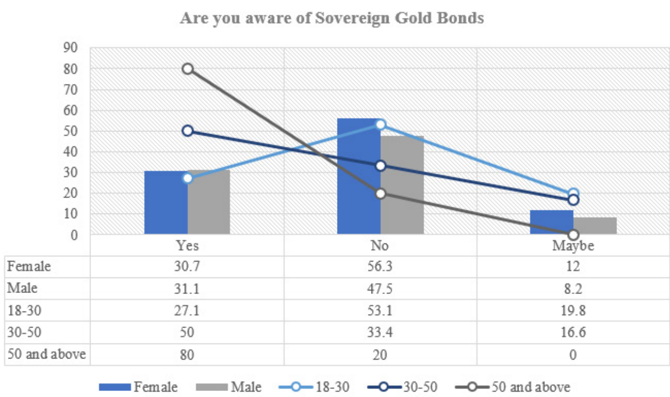
	Profit	Safe and Security	Retirement Planning	Minimise income tax burden
Female	41	38.3	7.6	5.1
Male	59	27.9	3.3	6.8
18-30	54.3	32	2.5	6.2
30-50	16.7	66.7	16.6	0
50 and above	40	20	20	20

- A notable 38.5% of female respondents prioritize safety and security in their investments, reflecting a cautious approach to capital preservation and avoidance of high-risk investments.
- Meanwhile, 7.7% of females invest with retirement planning in mind, showing consideration for future financial security.
- In comparison, 27.9% of male respondents prioritize safety and security, indicating a higher risk tolerance.
- Only 3.3% of males focus on retirement planning, suggesting an emphasis on shorter-term financial goals.
- Within the 18-30 age group, 32% prioritize safe and secure investments, indicating a balanced approach to risk and return.
- However, 54.3% invest primarily for profit, highlighting a focus on immediate financial growth.
- For the 30-50 age group, a significant 66.7% prioritize safety and security, demonstrating a strong focus on capital preservation and financial stability during their peak earning years.
- Additionally, 16.7% invest with retirement planning in mind, accentuating the importance of future financial security.
- In the 50 and above age group, 20% invest for retirement planning, indicating a sustained focus on securing financial stability for retirement.



	Physical Gold	Gold ETF	Gold fund	Digital Gold	SGBs
Female	41	10.2	10.2	12.8	17.8
Male	31	16.2	8.1	37.7	6
18-30	32	13.5	8.6	30.1	12
30-50	66.7	33.3	0	0	0
50 and above	80	0	0	0	20

- The majority of female respondents (41%) prefer investing in physical gold, likely due to its tangible nature and traditional value.
- Additionally, 17.8% favour Sovereign Gold Bonds (SGBs), indicating a significant interest in this method, possibly due to the tax benefits and interest payments SGBs offer.
- Among male respondents, 37.7% prefer digital gold, highlighting a trend towards more contemporary and convenient investment methods. However, SGBs are less popular among males, with only 6% favouring this method, which may suggest a lack of awareness or understanding of the benefits of SGBs.
- In the 18-30 age group, there is a balanced preference for digital gold (30.1%) and physical gold (32%), indicating an openness to both traditional and modern investment methods. Moreover, 12% of this group prefer SGBs, suggesting a growing awareness of the benefits these bonds offer among younger investors.
- For the 30-50 age group, a significant 66.7% prefer physical gold, emphasizing its value as a stable and traditional investment. Interestingly, none of the respondents in this group invest in SGBs, which could be due to a lack of awareness or a preference for other investment vehicles.
- In the 50 and above age group, the majority (80%) prefer physical gold, likely valuing its safety and tangibility as they approach or enjoy retirement. Meanwhile, 20% of respondents in this group prefer SGBs, indicating a recognition of the benefits these bonds offer, such as regular interest and tax incentives, which are appealing for long-term security.



	Yes	No	Maybe
Female	30.7	56.3	12
Male	31.1	47.5	8.2
18-30	27.1	53.1	19.8
30-50	50	33.4	16.6
50 and above	80	20	0

- A significant portion of both female (56.3%) and male (47.5%) respondents are not aware of SGBs. This lack of awareness might stem from insufficient financial education or limited exposure to investment options.
- However, a similar percentage of females (30.7%) and males (31.1%) are aware of SGBs, indicating a growing recognition of the benefits these bonds offer, such as interest payments and tax advantages.
- The "maybe" category is slightly higher among females (12%) compared to males (8.2%), suggesting that more women are uncertain about SGBs, potentially due to less exposure or knowledge about this investment option.
- The survey results reveal notable differences in awareness of Sovereign Gold Bonds (SGBs) across age groups. In the 18-30 age group, a substantial 53.1% are unaware of SGBs, which could be due to their limited experience with diverse investment avenues.
- However, 27.1% are aware, indicating a promising trend towards increased financial literacy among younger investors.
- The 19.8% in the "maybe" category suggests that many are still in the learning phase regarding SGBs.
- For the 30-50 age group, an encouraging 50% of respondents are aware of SGBs, reflecting their active engagement with various investment options during their peak earning years.
- Conversely, 33.4% are not aware, and 16.6% are uncertain, indicating room for increased financial education and awareness efforts in this demographic.
- The majority (80%) in the 50 and above age group are aware of SGBs, likely valuing their safety and additional benefits as they approach retirement.
- Only 20% are not aware, and none are uncertain, highlighting a strong understanding and recognition of SGBs' advantages among older investors.
- These results accentuate the need for enhanced awareness and education about SGBs, particularly among women and younger individuals. Promoting the benefits of SGBs, such as interest payments and tax incentives, can encourage more informed investment decisions across all demographics.

5. CONCLUSION AND SUGGESTION

Sovereign Gold Bonds (SGBs) are a relatively recent addition to the investment landscape, which explains their limited traction in the market, as corroborated by the survey findings. This study aimed to identify optimal gold investment methods for the middle class, leading to the conclusion that SGBs are particularly suitable for long-term investments such as retirement planning, and for individuals who prioritize safe and secure, low-risk options, such as females or those over 30 years old. Culturally, SGBs also stand out as a secure method for preserving ancestral gold across generations, as they allow gold holdings to be transferred and redeemed conveniently through these bonds. Moreover, parents or guardians can invest in SGBs on behalf of their children, securing their financial future. Thus, in every aspect, SGBs emerge as a superior choice for gold investment.

Sovereign Gold Bonds (SGBs) represent a targeted financial instrument introduced by the Indian government to foster domestic gold investments and mitigate challenges associated with high physical gold imports. To enhance their adoption and accessibility, several strategic initiatives can be proposed:

- Develop a dedicated mobile application focused on SGBs, similar to initiatives by The Perth Mint in Australia, offering digital certificates and storage options as alternatives to SGBs.
- Enable seamless SGB purchases through the app, complemented by interactive tools, FAQs, and proactive notifications on issuances, interest payments, and maturity dates. Ensure robust security measures such as multi-factor authentication and encryption.
- Introduce incentives or commissions for banks, financial institutions, and brokers to actively promote and facilitate SGB sales. This strategy aims to broaden the distribution network and increase retail investor participation.
- Implement micro-saving programs that allow gradual accumulation of funds towards SGB purchases. Offer subsidies or financial incentives, particularly targeting low-income individuals, to encourage SGB investments.
- Introduce commissions or incentives for gold jewellers who refer customers to purchase SGBs, leveraging their trusted relationships with customers to expand awareness and adoption.
- Explore the potential of blockchain technology to tokenize SGBs, facilitating fractional ownership and enhancing transferability. Investors can buy and own a fraction of an SGB, making gold investments more accessible to those with limited capital. By utilizing blockchain technology, SGB tokens can be accessed and traded globally, opening investment opportunities to a wider audience beyond national boundaries. This innovation could attract technologically inclined investors and promote global accessibility to SGB investments.

These measures aim to make SGBs more attractive, convenient, and secure for a broader range of investors, thereby promoting their role as a preferred vehicle for gold investment in India's financial landscape.

6. LIMITATION AND FURTHER SCOPE OF STUDY

- The survey sample of 100 participants may not fully represent the diverse perspectives and behaviours of all middle-class investors in India.
- We used a digital platform to conduct this study, therefore the respondents were anonymous.
- Managing time constraints posed a significant challenge during the research process

Further scope

- Incorporating qualitative research methods like interviews or focus groups to delve deeper into investor motivations, decision-making processes, and barriers to SGB adoption.
- Exploring the role of technology, such as blockchain for tokenizing SGBs

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